

104TH CONGRESS
1ST SESSION

H. R. 164

To amend titles II and XVIII of the Social Security Act to ensure the integrity of the social security trust funds by reconstituting the Boards of Trustees of such trust funds and the Managing Trustee of such trust funds to increase their independence, by providing for annual investment plans to guide investment of amounts in such trust funds, and by removing unnecessary restrictions on investment and disinvestment of amounts in such trust funds.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 1995

Mr. SOLOMON introduced the following bill; which was referred to the Committee on Ways and Means and, in addition, to the Committee on Commerce and, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend titles II and XVIII of the Social Security Act to ensure the integrity of the social security trust funds by reconstituting the Boards of Trustees of such trust funds and the Managing Trustee of such trust funds to increase their independence, by providing for annual investment plans to guide investment of amounts in such trust funds, and by removing unnecessary restrictions on investment and disinvestment of amounts in such trust funds.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Social Security Trust
5 Funds Integrity Act of 1995”.

6 **SEC. 2. INDEPENDENT MANAGING TRUSTEE AND BOARD OF**
7 **TRUSTEES.**

8 (a) IN GENERAL.—Section 201(c) of the Social Secu-
9 rity Act is amended—

10 (1) in the seventh sentence, by redesignating
11 paragraphs (1), (2), (3), (4), and (5) as subpara-
12 graphs (A), (B), (C), (D), and (E), respectively, and

13 (2) by striking “(c) With respect to” and all
14 that follows through “It shall be the duty” in the
15 seventh sentence and inserting the following:

16 “(c)(1) With respect to the Federal Old-Age and Sur-
17 vivors Insurance Trust Fund and the Federal Disability
18 Insurance Trust Fund (hereinafter in this title referred
19 to as the ‘Trust Funds’) there is hereby created a body
20 to be known as the Board of Trustees of the Trust Funds
21 (hereinafter in this title called the ‘Board of Trustees’).

22 The Board of Trustees shall be composed of—

23 “(A) 10 members appointed by the President,
24 by and with the advice and consent of the Senate,
25 as follows:

1 “(i) 2 shall be appointed after taking into
2 account recommendations by the Speaker of the
3 House of Representatives;

4 “(ii) 2 shall be appointed after taking into
5 account recommendations by the President pro
6 tempore of the Senate;

7 “(iii) 2 shall be appointed after taking into
8 account recommendations by the Minority
9 Leader of the House of Representatives;

10 “(iv) 2 shall be appointed after taking into
11 account recommendations by the Minority
12 Leader of the Senate; and

13 “(v) 2 shall be appointed after taking into
14 account recommendations by private organiza-
15 tions determined by the President to consist of
16 the 5 largest such organizations representing
17 the interests of senior citizens in the United
18 States; and

19 “(B) the Managing Trustee of the Social Secu-
20 rity Trust Funds appointed under paragraph (3)
21 (hereinafter in this title referred to as the ‘Managing
22 Trustee’).

23 The Managing Trustee shall serve as Chair of the Board
24 of Trustees. The Commissioner of Social Security shall
25 serve as Secretary of the Board of Trustees. The Board

1 of Trustees shall meet not less frequently than once each
2 calendar year.

3 “(2)(A) Of the members of the Board of Trustees ap-
4 pointed under paragraph (1)(A), not more than 5 shall
5 be of the same political party.

6 “(B) The members of the Board of Trustees ap-
7 pointed under paragraph (1)(A) shall serve for a term of
8 6 years, except that, of the first individuals appointed, one
9 individual appointed under each of clauses (i), (ii), (iii),
10 (iv), and (v) of paragraph (1)(A) shall serve for a term
11 ending December 31, 1996, and the other individual ap-
12 pointed under each of such clauses shall serve for a term
13 ending December 31, 1999, as designated by the President
14 at the time of appointment. An individual may serve as
15 such a member of the Board of Trustees after the expira-
16 tion of his or her term until his or her successor has taken
17 office. An individual appointed to fill a vacancy occurring
18 other than by the expiration of a term of office shall be
19 appointed only for the unexpired term of the individual
20 he or she succeeds. An individual may be removed as such
21 a member of the Board of Trustees only for cause and
22 only after such cause has been reported in writing to the
23 Speaker of the House of Representatives and the Presi-
24 dent pro tempore of the Senate.

1 “(C) Each member of the Board of Trustees ap-
2 pointed under paragraph (1)(A) shall receive compensa-
3 tion at the daily equivalent of the rate payable for level
4 IV of the Executive Schedule under section 5314 of title
5 5, United States Code, for each day on which such mem-
6 ber is engaged in the performance of his or her duties on
7 the Board of Trustees, and shall in addition be reimbursed
8 for the actual and necessary expenses incurred by him or
9 her in the performance of his or her duties.

10 “(3)(A) The Managing Trustee shall be appointed by
11 the President, by and with the advice and consent of the
12 Senate.

13 “(B) The Managing Trustee shall serve for a term
14 of four years, except that the first individual appointed
15 as Managing Trustee under this paragraph shall serve for
16 a term ending December 31, 1997. An individual may
17 serve as Managing Trustee after the expiration of his or
18 her term until his or her successor has taken office as
19 Managing Trustee. An individual appointed to fill a va-
20 cancy occurring other than by the expiration of a term
21 of office shall be appointed only for the unexpired term
22 of the individual he or she succeeds. An individual may
23 be removed as Managing Trustee only for cause and only
24 after such cause has been reported in writing to the

1 Speaker of the House of Representatives and the Presi-
2 dent pro tempore of the Senate.

3 “(C) The Managing Trustee shall not engage in any
4 other business, vocation, or employment. Any individual
5 who is engaging in any other business, vocation, or em-
6 ployment at the time of his or her appointment as Manag-
7 ing Trustee shall terminate or liquidate such activity no
8 later than 90 days after such appointment.

9 “(D) The Managing Trustee shall receive compensa-
10 tion at the rate payable for level III of the Executive
11 Schedule under section 5314 of title 5, United States
12 Code, and shall in addition be reimbursed for the actual
13 and necessary expenses incurred by him or her in the per-
14 formance of his or her duties.

15 “(4) The Managing Trustee and the other members
16 of the Board of Trustees shall be chosen, on the basis of
17 their integrity, impartiality, and good judgment, from
18 among individuals who, by reason of their education, expe-
19 rience, and attainments, are exceptionally qualified to per-
20 form their duties prescribed under this Act and who have
21 no conflicting interest which would hinder the performance
22 of disinterested public service either in the investment of
23 either of the Trust Funds, the Federal Hospital Insurance
24 Trust Fund, or the Federal Supplementary Medical Insur-

1 ance Trust Fund or in the other functions and duties vest-
2 ed in them under this Act.

3 “(5)(A) The Commissioner of Social Security shall
4 make available to the Managing Trustee and the Board
5 of Trustees, from the personnel, facilities, and services of
6 the Social Security Administration, such secretarial, cleri-
7 cal, technical, and other assistance as may be necessary
8 or appropriate to the performance of their duties.

9 “(B) The Commissioner of Social Security and the
10 Secretary of the Treasury shall make available to the Man-
11 aging Trustee and the Board of Trustees such information
12 and data held by their respective agencies as may be nec-
13 essary or appropriate to the performance of the duties of
14 the Managing Trustee and the Board of Trustees.

15 “(6) It shall be the duty”.

16 (b) CONFORMING AMENDMENTS.—

17 (1) FEDERAL HOSPITAL INSURANCE TRUST
18 FUND.—Section 1817(b) of such Act is amended—

19 (A) in the seventh sentence, by redesignat-
20 ing paragraphs (1), (2), (3), and (4) as sub-
21 paragraphs (A), (B), (C), and (D), respectively,
22 and

23 (B) by striking “(b) With respect to” and
24 all that follows through “It shall be the duty”

1 in the seventh sentence and inserting the follow-
2 ing:

3 “(b)(1) With respect to the Trust Fund, there is
4 hereby created a body to be known as the Board of Trust-
5 ees of the Trust Fund (hereinafter in this section referred
6 to as the ‘Board of Trustees’). The Board of Trustees
7 shall be composed of—

8 “(A) the individuals serving as members of the
9 Board of Trustees of the Federal Old-Age and Sur-
10 vivors Insurance Trust Fund and the Federal Dis-
11 ability Insurance Trust Fund under section
12 201(c)(1)(A), and

13 “(B) the Managing Trustee of the Social Secu-
14 rity Trust Funds (hereinafter in this section referred
15 to as the ‘Managing Trustee’) appointed under sec-
16 tion 201(c)(2).

17 The Managing Trustee shall serve as Chair of the Board
18 of Trustees. The Commissioner of Social Security shall
19 serve as Secretary of the Board of Trustees. The Board
20 of Trustees shall meet not less frequently than once each
21 calendar year. The Managing Trustee and the other mem-
22 bers of the Board of Trustees shall serve under this sub-
23 section without compensation in addition to compensation
24 received for their service under section 201(c).

25 “(3) It shall be the duty”.

1 (2) FEDERAL SUPPLEMENTARY MEDICAL IN-
2 SURANCE TRUST FUND.—Section 1841(b) of such
3 Act is amended—

4 (A) in the seventh sentence, by redesignat-
5 ing paragraphs (1), (2), (3), and (4) as sub-
6 paragraphs (A), (B), (C), and (D), respectively,
7 and

8 (B) by striking “(b) With respect to” and
9 all that follows through “It shall be the duty”
10 in the seventh sentence and inserting the follow-
11 ing:

12 “(b)(1) With respect to the Trust Fund, there is
13 hereby created a body to be known as the Board of Trust-
14 ees of the Trust Fund (hereinafter in this section referred
15 to as the ‘Board of Trustees’). The Board of Trustees
16 shall be composed of—

17 “(A) the individuals serving as members of the
18 Board of Trustees of the Federal Old-Age and Sur-
19 vivors Insurance Trust Fund and the Federal Dis-
20 ability Insurance Trust Fund under section
21 201(c)(1)(A), and

22 “(B) the Managing Trustee of the Social Secu-
23 rity Trust Funds (hereinafter in this section referred
24 to as the ‘Managing Trustee’) appointed under sec-
25 tion 201(c)(2).

1 The Managing Trustee shall serve as Chair of the Board
2 of Trustees. The Commissioner of Social Security shall
3 serve as Secretary of the Board of Trustees. The Board
4 of Trustees shall meet not less frequently than once each
5 calendar year. The Managing Trustee and the other mem-
6 bers of the Board of Trustees shall serve under this sub-
7 section without compensation in addition to compensation
8 received for their service under section 201(c).

9 “(3) It shall be the duty”.

10 (c) EFFECTIVE DATE AND TRANSITIONAL RULES.—
11 The amendments made by this section shall take effect
12 on the date of the enactment of this Act, except that the
13 Secretary of the Treasury shall continue to serve as Man-
14 aging Trustee of the Social Security Trust Funds and the
15 members of the Board of Trustees under sections 201(c),
16 1817(b), and 1841(b) of the Social Security Act (as in
17 effect immediately before such date) shall continue to
18 serve as the members of such Boards, until the date on
19 which all individuals initially appointed under section
20 201(c) of such Act (as amended by this section) take of-
21 fice.

1 **SEC. 3. INVESTMENT OF THE SOCIAL SECURITY TRUST**
2 **FUNDS PURSUANT TO ANNUAL INVESTMENT**
3 **PLAN.**

4 (a) FEDERAL OLD-AGE AND SURVIVORS INSURANCE
5 TRUST FUND AND FEDERAL DISABILITY INSURANCE
6 TRUST FUND.—Section 201(d) of the Social Security Act
7 is amended by striking “(d) It shall be the duty” and all
8 that follows through “Such investments” and inserting the
9 following:

10 “(d)(1)(A) It shall be the duty of the Managing
11 Trustee to invest amounts in the Trust Funds in such
12 manner and to such extent as is determined by the Manag-
13 ing Trustee to be in accordance with the annual invest-
14 ment plan submitted by the Board of Trustees pursuant
15 to this paragraph.

16 “(B) The Board of Trustees shall conduct a continu-
17 ing study and actuarial analysis of the status of the invest-
18 ments made by the Managing Trustee pursuant to this
19 subsection, and, on the basis of such study and analysis
20 shall, on or before August 1 of each calendar year, formu-
21 late and submit to the President and each House of the
22 Congress an investment plan to govern the investments
23 of the Trust Funds during the fiscal year beginning with
24 October 1 of such calendar year. The Board of Trustees
25 may, from time to time thereafter, submit amendments
26 to the annual investment plan in the manner in which

1 original annual investment plans are submitted, except
2 that each such amendment shall not be effective before
3 60 days after its submission.

4 “(C) Each annual investment plan shall set forth
5 standards governing the investment and disinvestment of
6 the Trust Funds which are appropriate to ensure that the
7 insurance program under this title will to the maximum
8 extent possible fulfill its intended purposes and meet the
9 needs for which it is designed in a fiscally and actuarially
10 sound manner, without being influenced or characterized
11 by budgetary or fiscal considerations irrelevant to the
12 Trust Funds or by partisan or political considerations.
13 Such plan shall be accompanied by any recommendations
14 of the Board of Trustees regarding the investment of the
15 Trust Funds, including appropriate technical legislative
16 language for any necessary modifications in the provisions
17 of this title relating to matters covered by such rec-
18 ommendations.

19 “(D) The annual investment plan submitted to each
20 House of the Congress (and any amendment thereto), to-
21 gether with accompanying recommendations of the Board
22 of Trustees, shall be incorporated in a special message to
23 each House. Such message shall be delivered to the Clerk
24 of the House of Representatives if the House of Rep-
25 resentatives is not in session and to the Secretary of the

1 Senate if the Senate is not in session. Each such message
2 shall be printed as a document for each House.

3 “(E) For purposes of making investments under this
4 paragraph, obligations may be acquired (i) at original
5 issue at the issue price, or (ii) by purchase of outstanding
6 obligations at the market price.

7 “(2) The purposes for which”.

8 (b) FEDERAL HOSPITAL INSURANCE TRUST
9 FUND.—Section 1817(c) of such Act is amended by strik-
10 ing “(c) It shall be the duty” and all that follows through
11 “The purposes for which” and inserting the following:

12 “(c)(1)(A) It shall be the duty of the Managing
13 Trustee to invest amounts in the Trust Fund in such man-
14 ner and to such extent as is determined by the Managing
15 Trustee to be in accordance with the annual investment
16 plan submitted by the Board of Trustees pursuant to this
17 paragraph.

18 “(B) The Board of Trustees shall conduct a continu-
19 ing study and actuarial analysis of the status of the invest-
20 ments made by the Managing Trustee pursuant to this
21 subsection, and, on the basis of such study and analysis
22 shall, on or before August 1 of each calendar year, formu-
23 late and submit to the President and each House of the
24 Congress an investment plan to govern the investments
25 of the Trust Fund during the fiscal year beginning with

1 October 1 of such calendar year. The Board of Trustees
2 may, from time to time thereafter, submit amendments
3 to the annual investment plan in the manner in which
4 original annual investment plans are submitted, except
5 that each such amendment shall not be effective before
6 60 days after its submission.

7 “(C) Each annual investment plan shall set forth
8 standards governing the investment and disinvestment of
9 the Trust Fund which are appropriate to ensure that the
10 insurance program under this title will to the maximum
11 extent possible fulfill its intended purposes and meet the
12 needs for which it is designed in a fiscally and actuarially
13 sound manner, without being influenced or characterized
14 by budgetary or fiscal considerations irrelevant to the
15 Trust Fund or by partisan or political considerations.
16 Such plan shall be accompanied by any recommendations
17 of the Board of Trustees regarding the investment of the
18 Trust Fund, including appropriate technical legislative
19 language for any necessary modifications in the provisions
20 of this title relating to matters covered by such rec-
21 ommendations.

22 “(D) The annual investment plan submitted to each
23 House of the Congress (and any amendment thereto), to-
24 gether with accompanying recommendations of the Board
25 of Trustees, shall be incorporated in a special message to

1 each House. Such message shall be delivered to the Clerk
2 of the House of Representatives if the House of Rep-
3 resentatives is not in session and to the Secretary of the
4 Senate if the Senate is not in session. Each such message
5 shall be printed as a document for each House.

6 “(E) For purposes of making investments under this
7 paragraph, obligations may be acquired (i) at original
8 issue at the issue price, or (ii) by purchase of outstanding
9 obligations at the market price.

10 “(2) The purposes for which”.

11 (c) FEDERAL SUPPLEMENTARY MEDICAL INSUR-
12 ANCE TRUST FUND.—Section 1841(c) of such Act is
13 amended by striking “(c) It shall be the duty” and all
14 that follows through “The purposes for which” and insert-
15 ing the following:

16 “(c)(1)(A) It shall be the duty of the Managing
17 Trustee to invest amounts in the Trust Fund in such man-
18 ner and to such extent as is determined by the Managing
19 Trustee to be in accordance with the annual investment
20 plan submitted by the Board of Trustees pursuant to this
21 paragraph.

22 “(B) The Board of Trustees shall conduct a continu-
23 ing study and actuarial analysis of the status of the invest-
24 ments made by the Managing Trustee pursuant to this
25 subsection, and, on the basis of such study and analysis

1 shall, on or before August 1 of each calendar year, formu-
2 late and submit to the President and each House of the
3 Congress an investment plan to govern the investments
4 of the Trust Fund during the fiscal year beginning with
5 October 1 of such calendar year. The Board of Trustees
6 may, from time to time thereafter, submit amendments
7 to the annual investment plan in the manner in which
8 original annual investment plans are submitted, except
9 that each such amendment shall not be effective before
10 60 days after its submission.

11 “(C) Each annual investment plan shall set forth
12 standards governing the investment and disinvestment of
13 the Trust Fund which are appropriate to ensure that the
14 insurance program under this title will to the maximum
15 extent possible fulfill its intended purposes and meet the
16 needs for which it is designed in a fiscally and actuarially
17 sound manner, without being influenced or characterized
18 by budgetary or fiscal considerations irrelevant to the
19 Trust Fund or by partisan or political considerations.
20 Such plan shall be accompanied by any recommendations
21 of the Board of Trustees regarding the investment of the
22 Trust Fund, including appropriate technical legislative
23 language for any necessary modifications in the provisions
24 of this title relating to matters covered by such rec-
25 ommendations.

“(E) For purposes of making investments under this paragraph, obligations may be acquired (i) at original issue at the issue price, or (ii) by purchase of outstanding obligations at the market price.

14 “(2) The purposes for which”.

15 **SEC. 4. GREATER DISCRETION IN INVESTMENT OF THE SO-**
16 **CIAL SECURITY TRUST FUNDS.**

(a) FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND FEDERAL DISABILITY INSURANCE TRUST FUND.—Section 201(d) of the Social Security Act (as amended by section 3 of this Act) is further amended by striking the last sentence and inserting the following: “The Managing Trustee may purchase such obligations and other interest-bearing obligations, on original issue or at the market price, and sell such obligations, if the Managing Trustee determines that such purchase or sale is

1 in the public interest and in accordance with the annual
2 investment plan of the Board of Trustees.”.

3 (b) FEDERAL HOSPITAL INSURANCE TRUST
4 FUND.—Section 1817(c) of such Act (as amended by sec-
5 tion 3 of this Act) is further amended by striking the last
6 sentence and inserting the following: “The Managing
7 Trustee may purchase such obligations and other interest-
8 bearing obligations, on original issue or at the market
9 price, and sell such obligations, if the Managing Trustee
10 determines that such purchase or sale is in the public in-
11 terest and in accordance with the annual investment plan
12 of the Board of Trustees.”.

13 (c) FEDERAL SUPPLEMENTARY MEDICAL INSUR-
14 ANCE TRUST FUND.—Section 1841(c) of such Act (as
15 amended by section 3 of this Act) is further amended by
16 striking the last sentence and inserting in lieu thereof the
17 following: “The Managing Trustee may purchase such ob-
18 ligations and other interest-bearing obligations, on original
19 issue or at the market price, and sell such obligations, if
20 the Managing Trustee determines that such purchase or
21 sale is in the public interest and in accordance with the
22 annual investment plan of the Board of Trustees.”.

23 (d) EFFECTIVE DATE.—The amendments made by
24 this section shall take effect October 1, 1995.

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